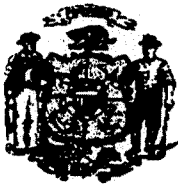


XIII. Public Service Commission -- Cheryl L. Parrino, Chairman

This item was submitted to the committee under s. 16.515 on April 5, 1996; the committee chose to schedule it for review at the June 18 meeting under s. 13.10.

The Public Service Commission requests approval of an increase in expenditure authority of \$3,420,000 PR in 1995-96 and \$8,000,000 PR in 1996-97 for implementation of the Universal Service Fund. This request would be funded from s. 20.855(6)(i), Miscellaneous Program Revenue. Revenues to this appropriation for the Universal Service Fund will be procured from direct assessments made on telecommunications providers as required by 1993 Act 496.



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3121

hinton 2nd Wineke motion

MO# *Alt 4 a, b, c*
Wineke moves to amend + eliminate
 2 BURKE Y N A
 ANDREA Y N A
 GEORGE Y N A
 DECKER Y N A
 JAUCH Y N A
 WINEKE Y N A
 WEEDEN Y N A
 COWLES Y N A
 June BRANCEL Y N A
 FOTI Y N A
 SCHNEIDERS Y N A
 OURADA Y N A
 HARS DORF Y N A
 PORTER Y N A
 LINTON Y N A
 COGGS Y N A

TO: Members
 Joint Committee on Finance

FROM: Bob Lang, Director *Co-Chairs*
14 1 1

Wineke motion
 AYE 4 NO 11 ABS 1

SUBJECT: Investment Board: Section 16.505(2)/16.515 Request for Expenditure and Position Authority for 7.0 PR Investment Support and Risk Management Staff Positions-- Agenda Item XIV

INTRODUCTION

On April 5, 1996, a s. 16.505(2)/16.515 request was submitted to the Joint Committee on Finance from the Department of Administration (DOA), requesting increased expenditure and position authority of \$122,900 PR in 1995-96 and \$492,900 PR in 1996-97 and 7.0 PR positions to provide additional investment support and risk management oversight staffing at the State of Wisconsin Investment Board (SWIB).

The Co-chairs of the Committee, in a letter to Secretary Klauser on April 25, 1996, indicated that this request would receive further review by the Committee and that the Committee would schedule a meeting to consider the matter. This matter has now been included on the agenda for the Committee's s. 13.10 meeting.

BACKGROUND

On March 17, 1995, SWIB disclosed that the State Investment Fund (SIF) had incurred a \$95 million loss through the use of derivative investments. The SIF consists of the cash balances of state and local governments that are invested on a commingled basis in shorter-term investments. In response to this disclosure, the Legislature's Joint Committee on Audit directed that an evaluation of SWIB be conducted by the Legislative Audit Bureau (LAB) to determine the cause of the derivative loss, analyze management and other controls intended to limit risk,

analyze the effect of the loss on the operation and future direction of SWIB and determine the extent of the use of derivatives in the Wisconsin Retirement System.

Concurrently, SWIB expanded the scope of an independent review then being conducted by a management consulting firm, Price Waterhouse, to include: (1) an analysis of the extent of SWIB's derivative holdings; (2) an assessment of SWIB's then current internal controls with respect to derivative investments; and (3) recommendations by the consultant to assist SWIB in developing an appropriate risk management program.

Price Waterhouse Review

Price Waterhouse reported the findings of its review on May 30, 1995. With respect to the adequacy of SWIB's management controls designed to limit risk, the consultant recommended that SWIB:

- Give greater attention to the specific definition of risk tolerances and related investment strategies and to the investment instruments used in each investment portfolio, including the rewriting of investment guidelines to focus on the definition of objectives, strategies and risk tolerances for each portfolio.
- Expand the role of SWIB's Derivatives Committee (which the consultant recommended should ultimately evolve into a Risk Management Committee) to include broader responsibility for risk management and oversight of investment and trading strategies.
- Require that improved internal management reports, including assessments of market risks assumed by each portfolio, be prepared by each investment director for submission to the Derivatives/Risk Management Committee.
- Develop a strategic information systems plan to improve SWIB's ability to evaluate, monitor, process and control all investment activity.

Price Waterhouse concluded its overall review by noting that "[f]ull implementation of the recommendations in this report could require significant additional funding and manpower that may not be available to SWIB." The consultant then went on to suggest that SWIB review and thoroughly analyze the report to "determine the timing and degree of implementation" for the various recommendations contained in the study.

Legislative Audit Bureau Review

On July 10, 1995, the LAB issued its findings on the derivative losses and SWIB management practices in Audit Report 95-16. Concerning the adequacy of SWIB's management controls designed to limit risk, the audit indicated that effective management oversight mechanisms might have prevented the loss, but that SWIB's decentralized organizational structure

and the Board's existing oversight procedures were inadequate either to provide a check on investment staff's decision making or to detect potential problem investments.

To address these concerns, the LAB recommended that SWIB:

- Carefully define its goals as it moves from an organizational culture "defined by virtually no checks on investment decision making ... to [one with] increased controls over investment strategy and investment reporting."

- Adopt and implement methodologies for measuring and evaluating risks in individual investments, as well as across portfolios.

- Make organizational improvements, similar to those in place in other states, such as employing a chief investment officer or internal auditor in order to increase senior management level oversight of staff investment decision making.

With respect to the implementation of oversight and risk management improvement modifications, the LAB further recommended that SWIB report to the Joint Committee on Audit by December 31, 1995, on the Board's future plans to enhance oversight of staff investment activities.

Legislative Response to the Reviews

As a follow-up response to the LAB's audit report and accompanying recommendations, the Joint Committee on Audit in late 1995 developed Senate Bill 402 (and its identical companion bill, Assembly Bill 664) to address issues identified in that audit. Senate Bill 402 was subsequently enacted as 1995 Wisconsin Act 274 and contained the following principal provisions which have a bearing on strengthening management oversight and control and limiting investment risk at SWIB:

- Limitations were placed on the Board's ability to purchase or acquire derivative investments for the SIF. Further, virtually all forms of reverse repurchase agreements were prohibited;

- The amount of total assets of either the fixed retirement investment trust or the variable retirement investment trust which SWIB may contract with outside investment advisors for the purpose of management and control was increased from 10% to 15%.

- Investment policy information provided to local governments with funds in the local government investment pool (which is a part of the SIF) must newly include all the following information: (1) any types of prohibited investments; (2) any restrictions on the allocation of assets among various asset types; (3) the credit standards for private companies in which SIF may invest; and (4) the dollar or percentage limits on investments in a single company or bank.

- Statements of SWIB's investment goals and long-term investment strategies, an assessment of the Board's progress in meeting those goals, and information on the types of investments held by the Board must be submitted annually to the Legislature.

- The LAB was newly required to include in its annual audit of SWIB a review of the Board's internal control structures. A newly mandated performance evaluation audit will require the LAB to review the Board's policies and management practices on a biennial basis.

- A total of \$178,400 PR in 1995-96 and \$532,900 PR in 1996-97 and 7.0 PR positions were authorized to increase investment oversight staffing at SWIB.

Investment Oversight Staffing Provided by Act 274

The additional staffing authorized by 1995 Wisconsin Act 274 was intended to provide the essential investment oversight and risk assessment capabilities which the audit report deemed were critical to improving the level of management review of SWIB investment decisions. For example, the audit found that there was no peer review of investment decisions within the agency, and communication between investment staff and senior management about individual investment decisions was limited. Further, it was indicated that no second level of review was possible since there were no intermediate managers between each portfolio's investment director and the agency's executive director.

In Act 274, the Legislature addressed these staffing deficiencies highlighted in the audit by providing the following increased investment management and oversight resources:

Internal Auditor Function. Act 274 established an independent internal audit unit within SWIB under the supervision of an internal auditor. A total of 3.0 PR positions (1.0 PR internal auditor and 2.0 PR staff auditors) were authorized and funded for the unit. The internal auditor is appointed outside the classified service by the Board of Trustees and reports directly to the Board. Subject to the necessary position authorizations, the internal auditor may appoint subordinate employees to carry out the duties of the auditing unit.

The internal auditor may review any activity, information or investment of the Board and have access to records of the Board or any external party under contract with the Board. The internal auditor must do all of the following: (1) plan and conduct audit activities, risk assessments, research projects and management reviews and in accordance with the policies, principles and directives determined by the Board; (2) coordinate and assist with external audits and reviews (such as by the LAB) of the Board; and (3) monitor SWIB's compliance with applicable legal requirements and the Board's contractual agreements with a variety of entities.

Centralized Investment Oversight. Act 274 also established a chief investment officer function to improve the level of peer review of investments within SWIB and authorized and funded 1.0 PR position for this purpose. The agency's executive director, with the participation of the Board, appoints the chief investment officer.

The chief investment officer, under the supervision of the executive director, must do all of the following: (1) monitor activities of the Board's investment directors for compliance with the Board's investment policies and guidelines in investment decisions and approve unusual transactions, as defined by the Board; (2) develop and implement operating procedures that are intended to ensure that the Board's investment policies and guidelines are being followed; and (3) ensure that investments are completely and accurately reported on all management and financial reports and that any information requested by the Board is provided to it on a timely basis.

Investment Operations. Further, Act 274 authorized and funded 2.0 PR accountant positions (CPA level) to perform investment operations relating to the processing, accounting and monitoring of trading activities.

Investment Technology. Finally, Act 274 authorized and funded an additional information technology staff position (1.0 PR investment information technology specialist) to assist in the implementation of a comprehensive strategic information systems plan to enhance the Board's ability to monitor investment activities.

In addition to the above investment management and oversight staffing resources provided under 1995 Wisconsin Act 274, SWIB has also acted to reallocate an existing vacant position to create a chief operating officer function. The person in this position will report to the executive director and have the following duties: (1) lead responsibility for the implementation of risk management systems; (2) oversight of information technology planning and functions in the agency; and (3) oversight of investment operations and custodial banking relationships. The agency is currently recruiting for this position.

In the agency's December, 1995, required follow-up report to the Joint Committee on Audit, SWIB also indicated that additional positions in excess of those ultimately provided by Act 274 would subsequently be requested both: (1) through a s. 16.505(2)/16.515 request to be submitted during the 1995-96 fiscal year; and (2) as part of SWIB's 1997-99 biennial budget request.

Following the enactment of 1995 Wisconsin Act 274, SWIB is now authorized 90.5 PR positions. Funds to support the agency's staff and its operations derive from investment management charges applied against the interest earnings on the accounts and funds under SWIB's control.

ANALYSIS

Requested Staff Positions

As submitted to the Committee by DOA, this s. 16.505(2)/16.515 request would provide SWIB with an additional 7.0 PR positions which the agency has indicated are additional high

priority staffing needs in the area of investment management, oversight and the reporting of risk. The requested positions and their annualized costs are summarized in the table below:

TABLE 1
Requested Investment Management and Oversight Positions
(PR Funds)

<u>Staffing Function</u>	<u>Number of Positions</u>	<u>Annual Cost</u>
Assistant Portfolio Managers		
--Domestic Equities Division	3.0	\$274,300
Credit Analyst--Public Bonds	1.0	58,800
Quantitative Risk Analysts	2.0	109,600
Investment Policy and Information Specialist	<u>1.0</u>	<u>50,200</u>
TOTAL	7.0	\$492,900

Assistant Portfolio Managers. SWIB has requested \$62,200 PR in 1995-96 and \$274,300 PR in 1996-97 and 3.0 unclassified positions to provide assistant portfolio managers for each of its three domestic equities portfolios. Together these portfolios are valued in excess of \$14.9 billion. As identified by SWIB, these new positions, if authorized, would be used to assist the current portfolio managers by participating in strategy and trading decisions, monitoring market changes, performing portfolio analysis, helping train subordinate staff and providing managerial back-up in the absence of the portfolio manager. SWIB argues that the lack of assistant manager positions for these portfolios is undesirable from a risk management perspective and cites as support of this position the Price Waterhouse review which generally stressed the importance of thorough risk assessments of potential transactions and the need for on-going analysis of risk factors which impact a portfolio's performance. SWIB further states that the lack of assistant managers means that the portfolio manager must remain in contact with the agency whenever the markets are open even if the manager is away from the office. According to SWIB, on a short-term basis, the resulting absence of coverage in the portfolio could constitute a heightened degree of risk for the agency. The longer term risk is identified as arising from a situation in which a domestic portfolio manager leaves and no one else has been prepared to manage the portfolio.

Credit Analyst. The Board has also requested \$15,300 PR in 1995-96 and \$58,800 PR in 1996-97 and 1.0 unclassified position to improve the frequency with which the agency conducts risk measurement, performance monitoring and asset allocation analysis related to investments in federal government and corporate bonds. Currently, there are 2.0 securities analysts on staff who perform all credit and related types of analysis and risk assessment for SWIB's bond holdings.

The Board indicates that this current level of staffing is sufficient to permit a review of each company and industry group approximately once every 18 months. The agency believes that an additional credit analyst position would permit it to complete a full credit review cycle on a 12-month rather than the current 18-month basis. SWIB also states that with the resulting increased credit review capability, the likelihood of identifying a potential change in a company or industry group's credit rating would be increased, thereby improving the potential for added investment gain (or decreased investment loss). SWIB also states that the additional analyst position, if authorized, would enable it to expand the number of market sectors currently subject to review, which in turn could provide the added benefit, from a risk management perspective, of enabling the portfolio to be more diversified.

Quantitative Risk Analysts. Further, SWIB has requested \$30,600 PR in 1995-96 and \$109,600 PR in 1996-97 and 2.0 unclassified positions to perform analyses of risk exposure, performance measures and benchmarks and asset allocation targets for the chief investment officer position authorized under 1995 Wisconsin Act 274. Currently, there is only 1.0 position assigned to an analytic and support unit in SWIB which would normally be available to provide staff support to the chief investment officer.

According to SWIB, the 2.0 quantitative risk analyst positions, if authorized, would: (1) assist the chief investment officer in implementing appropriate risk controls for the agency; (2) provide greater depth of analysis for the various asset allocation, performance measurement and benchmark functions undertaken by existing staff; and (3) provide backup to the current risk analyst staff position in matters relating to data collection, verification and analysis.

Investment Policy and Information Specialist. Finally, SWIB has requested \$14,800 PR in 1995-96 and \$50,200 PR in 1996-97 and 1.0 unclassified position to provide expanded reports and information to the Legislature, beneficiaries of the investments managed by the agency and the public. This position, if authorized, would be attached to a policy, budget and personnel function at SWIB which is currently under the supervision of the agency's executive assistant.

According to SWIB, the position would be used to undertake the following principal activities: (1) research and respond to inquiries from the Legislature, media and the public concerning agency policies and activities; (2) prepare informational materials for Wisconsin Retirement System participants; (3) assist in the preparation of a monthly newsletter to government participants in the local government investment pool; (4) prepare narrative portions of SWIB's annual report; (5) operate a toll-free information line; and (6) research and evaluate ways to improve the quality and timeliness of agency information distributed to various parties.

Statutory Criteria for a Supplementation Request

Supplementation requests may be approved by the Committee under s. 16.515 of the statutes if it is determined that: (1) an emergency exists; (2) no funds are available for the

purpose for which the supplementation is requested; and (3) the purposes for which the supplemental appropriation is requested have been authorized or approved by the Legislature.

When the Legislature authorized and funded 7.0 PR positions for SWIB as part of 1995 Wisconsin Act 274, this legislation was intended to provide the critical senior management, independent audit, investment operations and technical support staff deemed most necessary to address the principal management and oversight concerns identified by the LAB audit report. However, as previously noted, during the time the Legislature was considering the issue of providing additional staffing resources to SWIB, the agency also indicated in a follow-up report to the Joint Committee on Audit that it would be pursuing these additional positions and associated funding authority through the s. 16.505(2)/16.515 process and further that additional staffing needs would likely be addressed as part of the agency's 1997-99 biennial budget request.

In reviewing the current request, the following questions may be posed: are the positions being sought by the agency primarily aimed at addressing critical and necessary management and risk assessment capabilities which were not addressed by 1995 Wisconsin Act 274, or are the positions primarily ones which would reduce existing workload demands?

If Committee concludes that the requested staff would provide essential management and oversight functions not currently being provided, then it can be argued that the request satisfies the statutory criteria for a s. 16.515 supplementation. However, if the Committee concludes that the requested staff would primarily address workload issues, then it can be argued that the request does not meet the emergency requirements under the statutory criteria for a s. 16.515 supplementation.

Assessment of Critical Staffing Needs

With respect to the requested assistant portfolio manager positions, while the LAB found an absence of management oversight of investment portfolios, this lack of oversight was attributed to the absence of any intervening management control mechanisms between the level of portfolio investment directors and the level of the executive director rather than between the individual investment directors and his or her subordinates. It will be recalled that this missing level of management control between the portfolio managers and the executive director as identified by the LAB was addressed by 1995 Wisconsin Act 274. While additional staffing below the portfolio investment director level may be desirable from the standpoint of workload relief and for training potential successors for a investment director vacancy, it is open to question whether the current absence of such assistant portfolio managers in the domestic equities division critically impairs current investment operations there.

Additionally, it may be noted that when SWIB reviewed its staffing needs for this particular division as part of its 1995-97 biennial budget request, the agency identified a technical support position, rather than any assistant portfolio manager positions, as its most critical need in that division at the time. This technical support position was ultimately provided by the Legislature.

With respect to the requested additional credit analyst position, SWIB has indicated that the position would supplement current staff analysis and assessment for the agency's public fixed income division. Although the additional staff position would accelerate the current cycle for completing full credit reviews for each company or industry group from 18 months to 12 months, thereby providing workload relief, it is not clear that the new position would address a specific risk assessment function not currently being provided in that division. While more frequent credit review may be desirable, time periods used in the industry vary and there does not appear to be an agreed upon standard.

Similarly, the additional investment policy and information specialist position does not appear to provide a type of staff support essential to management oversight and risk reduction. The duties of the position would appear to be limited largely to less central activities relating to preparing legislative and other reports, preparing text for the agency's annual report and operating an information telephone line.

With respect to the requested quantitative risk analyst staffing request, these positions would be assigned to the newly established position of chief investment officer. These positions would help establish an analytical unit to improve systems of measuring and reporting risk and to help ensure that potentially problem investments are brought to the attention of senior management. Currently, only one other staff position in the agency has been identified as available for reassignment to assist the chief investment officer position in order to provide this type of analytical support.

The position of chief investment officer was created by 1995 Wisconsin Act 274 in order to establish an high level oversight position between SWIB's investment directors and the agency's executive director. Creation of this type of position was specifically suggested in the LAB audit as a way to increase ongoing investment oversight. It could be argued that the ultimate success of this new oversight position will be dependent on that office's ability to receive and analyze investment information and analysis from the various investment portfolios. Having this analytical capability would also appear to be conditioned on there being an independent staff unit attached to the chief investment officer position. Thus, to the degree that these additional quantitative risk analyst positions are essential to allowing the chief investment officer to perform the level of oversight envisioned by the Legislature in Act 274, it can be argued that the 2.0 quantitative risk analyst positions and associated funding would appear to meet the statutory criteria for a s. 16.515 supplementation, are consistent with prior legislative action (Act 274), and are necessary in advance of the next biennial budget in order to enable the chief investment officer to be fully functional.

However, it might also be argued that the chief investment officer, who was appointed just recently, should first develop workload experience to determine what additional positions, if any, beyond the currently assigned staff position will be necessary in order for him to accomplish his work. If the Committee believes that this approach has merit, it could also consider denying the quantitative risk analyst positions at this time and suggest that the matter be addressed as a future budget request item.

If the Committee acts to approve any of the requested positions, additional funding authority for the 1995-96 fiscal year would not be required since the fiscal year will be ended before any new staff could be hired. SWIB indicates, however, that it would move expeditiously to fill any approved positions and, consequently, full funding in 1996-97 would be necessary. However, it is more typical that agencies require at least two months to fill positions once they are authorized. Therefore, the Committee could consider appropriating reduced funding amounts sufficient to provide ten months of funding in 1996-97.

ALTERNATIVES

1. Approve the Investment Board's s. 16.505(2)/16.515 request, as submitted by the Department of Administration, to authorize 7.0 PR positions to provide additional investment support and risk management oversight staffing and provide increased expenditure authority for the Investment Board's s. 20.536(1)(k) appropriation of \$492,900 PR in 1996-97.

2. Approve the Investment Board's s. 16.505(2)/16.515 request, as submitted by the Department of Administration, to authorize 7.0 PR positions to provide additional investment support and risk management oversight staffing but provide increased expenditure authority for the Investment Board's s. 20.536(1)(k) appropriation of \$416,100 PR in 1996-97 to reflect ten months of funding for these positions.


3. Authorize 2.0 PR quantitative risk analyst positions to perform analyses of risk exposure, performance measures and benchmarks and asset allocation targets for the Investment Board's chief investment officer and provide increased expenditure authority for the Investment Board's s. 20.536(1)(k) appropriation of \$92,200 PR in 1996-97 to reflect ten months of funding for these positions.

4. Authorize the necessary additional position authority for one or more of the following Investment Board position requests and provide the indicated increased expenditure authority for the Investment Board's s. 20.536(1)(k) appropriation in 1996-97 to reflect ten months of funding:

		Number of Positions	Ten Months of Funding in 1996-97
a.	Assistant Portfolio Managers		
	--Domestic Equities Division	3.0	\$231,900
b.	Credit Analyst--Public Bonds	1.0	\$50,100
c.	Quantitative Risk Analysts	2.0	\$92,200
d.	Investment Policy and Information Specialist	1.0	\$41,900

5. Deny the request.

Prepared by: Tony Mason

*Sen. Brian Burke*33 NOB HILL DRIVE
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Memo

To: Joint Finance Committee
From: Ken Opin, WFT Lobbyist
Representing: WEAC and WFT
Date: 6/26/96
Subject: Support Additional Staff Request for SWIB

WEAC and WFT urge you to support the State of Wisconsin Investment Board's request for additional staffing. The workload of the staff has increased enormously in recent years, due to a combination of increased complexity of investment activity undertaken and the amount of assets under management.

SWIB has a fiduciary responsibility to act in the best interests of the participants and annuitants of the Wisconsin Retirement System. WEAC and WFT have argued that this fiduciary responsibility can, in general, best be met by increased use of internal staff. We have opposed expansion of contracting out of investment management because we believe that, except in rare circumstances, the participants and annuitants get more bang for their bucks out of internal staff.

We feel that unless the staff is expanded, SWIB may be unable to meet its fiduciary responsibilities. Please remember that the funds used to pay the SWIB staff do not come from GPR; they are internally generated. No one believes we will gain a greater return by starving SWIB of staff. Nor will the taxpayers benefit by having fewer state employees on the payroll. Maximum safe return benefits all interested parties, as does risk reduction and increased oversight.

WEAC and WFT urge you to support SWIB's request for 7 additional positions at an annual cost of \$492,900.

State of Wisconsin Investment Board
Assets Under Management and Operating Expenses
Includes 7.0 FTE from Audit Legislation and 7.0 FTE under Section 16.505/515 risk management needs

Fiscal Year	Assets Under Management		Actual Operating Expenditures		
	At Year End	Average Assets Over Year	Amount	Basis Points (e)	Positions
1984	\$10,014,913,000	\$9,344,413,000	\$1,821,354	1.949	45.0
1985	12,346,979,000	11,180,946,000	2,072,706	1.854	52.0
1986	15,250,647,000	13,798,813,000	2,837,093	2.056	54.0
1987	17,978,744,000	16,614,695,500	2,927,886	1.762	57.0
1988	18,239,473,000	18,109,108,500	3,200,018	1.767	59.0
1989 (a)	21,123,360,000	19,681,416,500	4,266,600	2.168	63.0
1990	23,380,847,000	22,252,103,500	5,591,300	2.513	65.0
1991	25,680,415,000	24,530,631,000	5,533,300	2.256	65.0
1992	29,186,270,000	27,433,342,500	5,859,800	2.136	74.5
1993	33,334,618,000	31,260,444,000	6,194,500	1.982	74.5
1994	34,469,000,000	33,901,809,000	6,926,903	2.043	78.5
1995	37,809,000,000	36,139,000,000	7,465,451	2.066	79.5
1996	44,437,612,500 (b)	41,123,306,250	7,905,133 (c)	1.922	90.5
1997	47,770,433,438 (b)	46,104,022,969	8,957,800 (d)	1.943	97.5
% Change					
1984 to 1997	377.0%	393.4%	391.8%	-0.3%	116.7%

NOTES:

- (a) First Full Year of Management Flexibility
- (b) Estimated growth in assets
- (c) Current budget allotment authority
- (d) Estimated expenditures based upon budget authority plus the impact of 12 months of Audit Committee Legislation and 12 months of Section 16.505/515 resource needs in FY97 (DOA Recommendation of 7.0 positions)
- (e) "Average Assets" are used to compute basis points

May 30, 1996



STATE REPRESENTATIVE
Barbara Linton

Member: Joint Committee on Finance and Legislative Council

April 25, 1996

Representative Ben Brancel, Co-Chair
Joint Committee on Finance
Lower Level - Room 2
119 Martin Luther King Jr. Blvd.
Madison, WI 53707

Dear Representative Brancel,

I am writing in response to a request from the State of Wisconsin Investment Board for additional positions and funding.

On April 8, 1996 offices of Joint Finance Committee members received a 16.505/515 request from the State of Wisconsin Investment Board regarding the addition of 8.0 FTE positions and supplementary expenditure authority of \$667,500 PR. I request the Committee meet formally to consider this request.

Thank you for your consideration. Please do not hesitate to contact me if you have any questions or concerns.

Sincerely,

A handwritten signature in cursive script, appearing to read "Barb".

Representative Barbara J. Linton
74th Assembly District



Wisconsin
Retired
Educators'
Association

m e m o

date: June 24, 1996

to: Members of the Joint Finance Committee

from: Wallace L. Lemon, WREA Legislative Chair
Jane Elmer, Executive Director

re: WREA Support for Additional Staff for SWIB

We are writing on behalf of the Wisconsin Retired Educators' Association (WREA) and our 11,000 members statewide to support the request for additional staff at the State of Wisconsin Investment Board (SWIB).

WREA has reviewed the SWIB request for 7 additional positions. Since the derivative losses in the Spring of 1995, our Association has appreciated the efforts of the Legislature and SWIB for the measures taken to promote careful risk management.

The request for additional staff is a necessary component to assure sound practices at SWIB. As the assets under management have now grown to over \$43 billion, more staff is needed to keep up with the demands of the organization.

As a result of an extensive audit process, both Price Waterhouse and the Legislative Audit Bureau mentioned the need for additional staff resources. After careful analysis, SWIB identified the high priority staffing needs which were approved by DOA.

As the request for additional staff at SWIB comes to the Joint Finance Committee for approval, WREA encourages you to approve the request. WREA is proud of the Wisconsin Retirement System (WRS) and as part of our mission, we want to preserve and improve it.

We believe that adding carefully selected staff at SWIB involved in the management and reporting of risk will make our system better.


Thank you for your consideration.

Formerly the
Wisconsin
Retired
Teachers
Association

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Memo

To: Joint Finance Committee
From: Ken Opin, WFT Lobbyist
Representing: WEAC and WFT
Date: 6/26/96
Subject: Support Additional Staff Request for SWIB

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We feel that unless the staff is expanded, SWIB may be unable to meet its fiduciary responsibilities. Please remember that the funds used to pay the SWIB staff do not come from GPR; they are internally generated. No one believes we will gain a greater return by starving SWIB of staff. Nor will the taxpayers benefit by having fewer state employees on the payroll. Maximum safe return benefits all interested parties, as does risk reduction and increased oversight.

WEAC and WFT urge you to support SWIB's request for 7 additional positions at an annual cost of \$492,900,



WISCONSIN COALITION OF ANNUITANTS

318 Karen Court, Madison, WI 53705

June 11, 1996

State and Local
GOVERNMENT
RETIREES

TO: Members of the Legislatures Joint Finance
Committee

RE: Wisconsin Investment Board - ssl6.505/515 request

We understand the Joint Finance Committee will be considering the Wisconsin State Investment Board request for seven additional positions under ssl6.505/515 provisions during your June meeting. The purpose of this letter is to indicate our support for this request and to urge your favorable consideration.


Our executive board has reviewed the support documents provided by SWIB relating to this request. We appreciate the excellent management of the assets of the retirement fund thru the years and the resulting success of the program. We are priveleged to have a well managed, fiscally sound and diversified investment strategy.

However, we recognize that the growth of the fund, and the increased complexity of the available investment markets make it necessary to provide adequate staffing resources to maintain policy, credit and risk analysis, and portfolio management to insure continued success.

We also believe active workers, annuitants and participating employers deserve more frequent and timely information on the activities of the Investment Board.

To accomplish these goals, we encourage you to give favorable consideration to this request.

Sincerely,


Ed Kehl, Chair

ORGANIZATIONS IN THE WISCONSIN COALITION OF ANNUITANTS

DOT Retirees - West Allis Retirees - DILHR Retirees - Epsilon Sigma Phi - Retired School District Administrators - Professional Police Association - Retired Professional Firefighters - Wisconsin Retired Corrections Personnel - State Engineers Association - AFSCME Retirees Chapter 7 - Wisconsin Education Association Council - Wisconsin State Attorneys Association - Association of Career Employees - Association of UW Professionals - Association of Retired Conservationists - Wauwatosa Employee Retirement Club - Wisconsin Retired Educators Association